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Message Text

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PAGE 01 STATE 222963

15
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66011
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---------- 037049
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INFO AMEMBASSY MEXICO 2977

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EO 11652$ NA
TAGS: EGEN PFOR MEX
SUBJECT: COVERAGE OF G-77 CONFERENCE, MEXICO CITY--BACK-
GROUND ON COLOMBO NAC

REF: STATE 219540

FOLLOWING SENT ACTION SECSTATE INFO USUN NEW YORK GENEVA
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QUOTE LIMITED OFFICIAL USE COLOMBO 3195

E.O. 11652: N/A
TAGS: EFIN, PORG, CE
SUBJECT: NAC RESULUTIONS ON THIRD WORLD BANK AND CURRENCY UNIT

REF: COLOMBO 3123

1. DURING DINNER PARTY FOR VISITING AMBASSADOR FRANCIS DALE
AUGUST 23, EMBOFF DISCUSSED SRI LANKAN PROPOSALS ACCEPTED BY
NON-ALIGNED SUMMIT CONFERENCE (NAC) ON THIRD WORLD BANK AND
CURRENCY UNIT WITH LAL JAYAWARDENA, SECRETARY OF FINANCE MINISTRY
(AND PROBABLE AUTHOR OF PROPOSALS).

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PAGE 02 STATE 222963

2. WITH REGARD TO ESTABLISHMENT OF "A CONTERVAILING

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006

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CURRENCY BACKED BY THE ECONOMIC POTENTIAL OF NON-
ALIGNED AND OTHER DEVELOPING COUNTRIES,"
JAYAWARDENA SAID THIS LANGUAGE HAS BEEN CAREFULLY SELECTED
TO ALLOW INTERPRETATIONS ON MORE THAN ONE LEVEL. HE
AGREED THAT OBVIOUS INTERPRETATION, AND ONE THAT WORLD
PRESS HAS PICKED UP, SEES RESOLUTION AS CALL FOR A
NEW RESERVE ASSET, A SORT OF THIRD WORLD SPECIAL
DRAWING RIGHT. BUT, ACCORDING TO JAYAWARDENA, THIS
IS NOT CORRECT INTERPRETATION. NAC RESOLUTION IS
ACTUALLY AIMED AT BRINGING ABOUT A MODIFICATION OF
EXISTING SDR SYSTEM TO RECYCLE OPEC BALANCE OF
PAYMENTS SURPLUSES TO DEVELOPING COUNTRIES.

3. JAYAWARDENA SAID THAT ALL "REASONABLE" LDC'S
RECOGNIZE THAT PRESENT LEVEL OF INTERNATIONAL LIQUIDITY
IS MORE THAN SUFFICIENT. IN ORDER TO CREATE MORE
SDR'S WITHOUT ADDING TO GLOBAL RESERVES, JAYAWARDENA
ENVISIONS AN ARRANGEMENT WHEREBY COUNTRIES RUNNING
LARGE BALANCE OF PAYMENTS SURPLUSES (READ ARAB OPEC
MEMBERS) WOULD AGREE THAT ACCUMULATED RESERVES
ABOVE SOME PREDETERMINED AMOUNT WOULD BE DEPOSITED
WITH IMF TO BACK CREATION OF AN EQUIVALENT
AMOUNT OF SDR'S. THESE NEW SDR'S WOULD BE ALLOCATED
TO DEVELOPING COUNTRIES WITH MOST SERIOUSLY AFFECTED
RECEIVING MAJOR SHARE. TO MAKE THIS SCHEME ATTARATIVE
TO SURPLUS COUNTRIES, IMF WOULD HAVE TO PAY A
COMPETITIVE RATE OF INTEREST ON SUCH DEPOSITS.

4. JAYAWARDENA SAID PROPOSED "BANK OF DEVELOPING
COUNTRIES TO UNDERTAKE COMMERCIAL AND MERCHANT
BANKING ACTIVITIES" IS ALSO A DEVISE TO CHANNEL
OPEC SURPLUSES TO LDC'S. (HE ALSO SAID THAT "MERCHANT
BANKING" IN THIS CONTEXT MEANS INVESTMENT BANKING.)

5. JAYAWARDENA AGREED THAT WITHOUT OPEC FINANCING,
NEITHER OF THE ABOVE PROPOSALS COULD BE REALIZED.
NEVERTHELESS, HE FELT THERE WAS A GOOD CHANCE OF OPEC
SUPPORT. PERKINS UNQUOTE KISSINGER

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